

Corporate Social Responsibility: A Fashion Trend or a Serious Approach?

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Abstract: *Corporate Social Responsibility (CSR) is one of the concepts that constantly being in use by different societies under various names, such as philanthropy and patronage. Now this concept is presented also as “corporate responsibility,” corporate governance” and “responsible business.” It has a lot of proponents, especially representatives of transnational and multination corporations (TNCs and MNCs) and other business entities claiming that they are more and more involved with CSR activities. However, CSR also has opponents who argue that corporations are behaving very irresponsibly towards their employees, environment and society at large and, at the same time, TNCs are putting good examples of their CSR activities in their websites.*

Key words: *corporate social responsibility, codes of conduct; codes of ethics; employees; stakeholders; shareholders; transnational corporations; sweatshops; child labor; sustainability; environment; society.*

INTRODUCTION

There were a lot of ideas, concepts and notions in the history of human civilization that have been developed cyclically and have passed through various transformations changing their names but their core essence remained the same. One of such concepts is “corporate social responsibility,” “corporate responsibility,” or “corporate governance.” It is named differently but the overall idea is the following: “Corporate Social Responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” [1] Broadly speaking, this concept means that corporations and businesses in general, no matter how big they are or where they are located while working on their main goal of maximizing their shareholders’ profit should also keep in mind the societal concerns and needs and act responsibly towards the society in which they operate.

This concept is not a novelty: it has been used during centuries in various countries mostly as philanthropic contributions by business enterprises. However, in modern society, in the era of globalization corporate social responsibility has broader meaning. For example, as Michael McComb presents, “The notion of companies looking beyond profits to their role in society is generally termed corporate social responsibility (CSR)...It refers to a company linking itself with ethical values, transparency, employee relations, compliance with legal requirements and overall respect for the communities in which they operate. It goes beyond the occasional community service action, however, as CSR is a corporate philosophy that drives strategic decision-making, partner selection, hiring practices and, ultimately, brand development.” [2]

WHY CORPORATE SOCIAL RESPONSIBILITY?

Today a lot of business entities admit out loudly that the concept of corporate social responsibility is extremely important in their day-to-day operations and is reflected in their various Codes of Conduct, Codes of Ethics and in their business strategies in general. However, there are a lot of questions, such as:

- Do these transnational or multinational corporations (TNCs or MNCs) and business follow what is written in these Codes of Conduct?
- Do they really believe in what they are presenting in the codes of conduct?

- Do the corporations really follow up with the ideas of sustainability, respect of their employees' rights and Ten Principles presented in the UN Global Compact and other CSR documents?
- Do the corporations operating in a given country respect this country's laws and regulations?
- Are these businesses really responsible for the society in which they operate?
- Or perhaps all this is just a perfect wording having nothing in common with their real activities; just a way to improve their brand name, their image and to increase their profit?
- In other words, is it just a fashion trend to have the codes of conduct and CSR reports perfectly presented in their websites or these TNCs or MNCs have a serious approach towards the concept of corporate social responsibility?

PROponents AND OPPONENTS OF CORPORATE SOCIAL RESPONSIBILITY

All these are very important and arguable questions taking into account the current world economic crisis. Some proponents of corporate social responsibility, especially representatives of the business world are resenting this concept almost as a magic stick, a miraculous panacea for solving all economic and social problems and, at the same time, for improving their corporate strategies and business images. As Marcello Palazzi and George Starcher write in their work "Corporate Social Responsibility and Business Success" presented for the European Baha'i Business Forum, "In Western Europe, Japan, and North America, an increasing number of companies are finding that it makes good business sense to fully integrate the interests and needs of customers, employees, suppliers, communities, and our planet – as well as to those of shareholders – into corporate strategies...Over the long term, this approach can generate more profits and growth." [3]

The same idea of an absolute respect towards the principles of corporate social responsibility and conducting numerous initiatives are presented in the web sites of various IT companies, mobile operators and other business entities, such as Vodafone Malta Limited, VivaCell-MTS Armenia, Synopsis Armenia, ASOCIO policy paper, etc.

For example, Vodafone Malta's second Corporate Responsibility (CR) Report among other issues, such as using energy efficiency, responsible, marketing, supply chain and other ones is putting a big emphasis on its' employees' and their families' well being. [4]

Another interesting example of CSR activities conducted by a big company is MTS, the largest mobile operator in Russia and the Commonwealth of Independent States (CIS). Since 2005 it is also presented in Armenia as VivaCell-MTS [5]. It has been one of the very few among the Armenian business community which was and is raising the issue of CSR. As Ralph Yirikian, a general manager of this company and a very active proponent of CSR is constantly asserting that for VivaCell-MTS corporate social responsibility means returning a fraction of its earnings to society by investing sweat equity into projects that benefit those less fortunate in society...as well as we maintain our homes, we must also maintain the greater community in which we live." [6]. This company has launched various programs targeting especially the less fortunate people. In 2008 it has presented the "VivaCell -MTS for regions" program which included assistance to the villages to get gas and water, to improve infrastructure and to renovate some schools and hospitals. In 2009 it has fulfilled another program entitled "VivaCell –MTS for children" directed to improve life of children in Armenia, as well as to increase their environmental education. Perhaps these and many other programs and CSR activities are the reason why this company has two million subscribers (the total population of Armenia is 3 million people) and is considered as number one tax payer in the country.

Another country that is showing more and more interest in CSR is Bulgaria. In 2007 the Economic Policy Institute in Sofia presented the results of survey entitled "Reporting

on Corporate Social Responsibility (CSR) by the Forty Largest Listed Companies in Bulgaria.” According to this Report, “In the recent years, the interest towards Corporate Social Responsibility issues in Bulgaria increased considerably. As a part of the so-called New Europe, the state and the Bulgarian business in particular, began to pay more attention on how companies manage their impact on the environment and how they contribute to the society as a whole.” [7] This survey shows how the Bulgarian companies’ websites are presenting the concept of CSR and reveal information regarding three specific areas: Corporate Governance; Environmental Policy and Social Policy. The survey analyzes 15 questions, among which are the following:

- Does the company disclose details on its corporate governance structure?
- Does the company disclose and report on its internal Code of Business Conduct/Code of Ethics;
- Does the company report on its environmental performance, including efficient use of resources, emissions and waste?
- Does the Company integrate environmental aspects into its supply chain management policy?
- Does the company report any community patronage/sponsorship programs?
- Does the company list its health and safety policy,
- And other questions.

The survey results show that ‘... in the process of searching for capital, customers and employees...the companies surveyed disclose more information on corporate governance than on environmental and social policy. This could be partially explained by companies’ familiarity with the corporate governance principles espoused by the Organization for Economic Cooperation and Development (OECD)” [8]

CSR is a global phenomenon, indeed. Across the ocean, some businesses in Latin America are also actively participating in CSR. Estrella Peinado-Vara presents two successful cases: Procter &Gamble in Venezuela and Union Fenosa (a Spanish company) in Colombia. Both companies realized that they were losing a big chunk of “would be” profits by not working with the poorest people. P&G identified a previously unattended market niche. First, the company realized the need to listen to these communities. The company changed its strategy. For example it started to sell shampoo in large containers which led to creation of hairdressing centers in poor communities and, of course, helped to have more jobs. The company also trained the hairstylists from these poor communities which, at the same time, has also increased the use of the company’s products.

Union Fenosa (presented as Energia Social) since its entrance to Colombian energy market in 2000 has suffered higher energy losses and lower-than-expected revenues. Soon the company found out that 269,000 families (or about 2 million people) have illegal access to electricity which also caused safety problems. After a very close analyzes of the market, Energia Social developed a new method of collecting revenues “...through small enterprises ...created within the communities to measure usage, collect payments and provide customer and repair services. The company is outsourcing opportunities that can be met by local contractors using their knowledge of the community’s own dynamics...According to the company’s annual report the fiscal year ended with a 60% increase in revenues from billing (US \$2,914 million increase)” [9].

There are many other examples of a successful implementation of the CSR concept by corporations and of their responsible attitude toward their employees, other stakeholders and the society in general.

One of the most important issues that is constantly underlined by corporations related to their CSR activities is that these activities are voluntary. However, as it is stated In OECD, 2001 report, “Some initiatives are more voluntary than others. Although the [CSR] initiatives are often referred to as “voluntary, some firms are under strong pressures to

adopt them.” [10]. Indeed, constantly increasing interest of public to the activities of corporations keeps them under control.

And, as usual, together with good publicity, there is also a negative approach to the CSR. More specifically, there are individuals who are actively opposing the idea of CSR or are sure that business entities are hypocritical and dishonest in their CSR activities. They state that some TNCs are acting like “state within the state;” are lobbying for their corporate interests even if they may cause environmental damage and other problems for society at large. Opponents are also pointing out that some TNCs have been enrolled in numerous economic and political scandals; also very often they are collaborating with government in a negative way, such as bribing the government officials for favorable tax breaks or tax holidays; or avoiding payment of taxes in their own countries. Sometimes TNCs are also involved in corruption scandals. It has to be mentioned that a negative image of some TNCs’ activities is presented in documentary movies, in the Internet, in consumers’ blogs and other sources of mass media.

One of a very active opponents of CSR, Gerard Fonteneau, advisor to the European trade Union Confederation [ETUC] states that, “...this strategy [CSR] is developing at a moment the multinational economic and financial groups, indeed the global market economy itself, are going through a serious internal crisis; witness many socially and ethically “irresponsible” practices: fraudulent bankruptcies, questionable purchases, cheatings in the accounts, very high manager salaries, disrespect for basic values...Instead of law, international conventions, collective agreements, they sing the praises of codes of conduct, social labels, social sponsoring...” [11]. He also claims that corporations use CSR concept as a means to diminish public authorities and to weaken their role in the society; to downgrade the role of trade unions; as well as to replace public laws and regulations by corporate Codes of Ethics or Codes of Conduct which do not have any legal value. Besides that, transnational corporations (TNCs) collaborate with partners who conduct auditing and evaluation of their activities in favor of these corporations. He also states that corporations do not act responsibly towards employees, that leads to the issue of sweatshops, child labor, work harassment and other problems. According to this author “...power is not shared in the company. At least not in the essence. It is the shareholders and managers who determine the policy, decide and do not share their decisions.” [12]

Rhys Jenkins, another specialist questioning the principles of CSR is sure that CSR activities are not directed to poverty reduction and are concentrated more on sustainability, environmental problems and human rights. She claims that TNCs usually do not hire poor people or do not organize trainings for disadvantaged groups of society since it is not profitable for their short-term activities in a given country; they do not produce goods for poor; also they operate mostly in capital cities, which is an obstacle for developing rural areas. As she writes, “By the 1990s the heyday of neo-liberal policies had passed in the North, and corporations started to attract criticism for their global environmental and labor practices...companies responded to bad publicity surrounding their activities by espousing corporate social responsibility. Many firms sourcing consumer goods from developing countries adopted supplier codes of conduct following scandals about corporate practices. ..The mid-1990s saw further revelations concerning the use of sweatshops and child labor by leading US brands such as Gap, Katie Lee, Gifford Nike, Disney and others.” [13]. Only due to the combined and constant efforts of various NGOs, human right organizations and concerned consumers the corporations have started to show more responsible attitude to their employees in particular and to the society in general. However, she thinks that even very powerful organizations dealing with the concept of CSR do not pay enough attention to the issues of poverty. “Even the UN Global Compact does not explicitly refer to key development concerns such as poverty reduction or equity.” [14]

In general, the major advantages and disadvantages of CSR could be summarized as follows:

Advantages:

- Companies are acting more responsibly towards their employees, environment and society at large;
- CSR helps to bring the companies and society closer through various community directed projects and are in echo with the motto: "Think globally, act locally";
- Companies' activities are presented in their Codes of Conduct and Codes of ethics presented in the websites which leads to transparency of their operations;
- CSR activities help companies to improve their brand images, to get more customers which in its turn in most cases leads to increasing of the companies' profit; etc.

Disadvantages:

- Some companies are presenting very good examples of their CSR activities and show a responsible attitude towards the society. However, in pursuing corporate interests, these companies are very often acting very irresponsibly and are causing big damages to the environment and people. For example, British Petroleum is one of the most active proponents of CSR but it created a huge damage in the Gulf of Mexico, although the employees have warned the top management about a possible oil spill;
- Some big corporations are conducting CSR activities on a community (minor) level but are damaging the planet on a large scale.

CONCLUSION AND FURTHER WORK

Definitely corporate social responsibility is today's one of the most debatable concepts adopted by a lot of corporations and business entities. Although it is a voluntary activity and is presented in corporations' Codes of Conduct or Codes of Ethics which do not have any legal value, still it is one of the most important leverages to make companies to have more responsible attitude towards their employees, sustainability, environment and to voluntarily improve society in general; to avoid as much as possible hypocritical behavior of the companies by putting perfect ideas in their websites and acting very irresponsibly in practice. Also, corporations should be more active in building partnership with governments of countries in which they are operating; they should pay taxes and to follow laws and regulations of a given country.

I would like to mention that the concept of corporate social responsibility is one of the issues related to my main PhD research topic on Public-Private Partnership (P3).

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The paper is reviewed.